



Office of the Inspector General
U.S. Department of Justice



Audit of the Office of Justice Programs Grants Awarded to the National Indian Justice Center Santa Rosa, California

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
GRANTS AWARDED TO THE
NATIONAL INDIAN JUSTICE CENTER
SANTA ROSA, CALIFORNIA**

EXECUTIVE SUMMARY

The U.S. Department of Justice, Office of the Inspector General completed an audit of four grants awarded by the Office of Justice Programs (OJP) to the National Indian Justice Center (NIJC) in Santa Rosa, California. The NIJC was awarded \$3,127,009 under Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, 2011-VF-GX-K020, and 2014-VF-GX-K018 to design and deliver legal education, research, and technical assistance programs that seek to improve the quality of life for Native communities and the administration of justice in Indian country.¹

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance. The criteria we audited against are contained in the OJP Financial Guide and the grant award documents.

As of March 2015, the NIJC had drawn down \$2,160,372 of the total grant funds awarded. We examined the NIJC's policies and procedures, accounting records, and financial and progress reports, and found that the NIJC did not comply with essential award conditions related to financial controls, the use of funds, contract management, budget management, federal financial reports, and performance. Specifically, the NIJC: (1) did not adequately define policies and procedures to ensure effective control over grant funds; (2) incurred \$353,446 in unallowable costs and \$369,418 in unsupported costs; (3) did not submit accurate Federal Financial Reports for three of the grants; and (4) was delayed in achieving grant goals and objectives for one of the grants.

Our report contains 10 recommendations to OJP, which are detailed in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with NIJC officials and have included their comments in the report, as applicable. In addition, we requested from the NIJC and OJP, written responses to the draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively.

¹ Throughout the report we refer to these awards as grants. However, OJP identified these awards as cooperative agreements, which generally require more involvement by the federal government.

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General completed an audit of four grants awarded by the Office of Justice Programs (OJP) to the National Indian Justice Center (NIJC) in Santa Rosa, California. The NIJC was awarded four grants totaling \$3,127,009, as shown in Table 1.¹

**Table 1
Grants Awarded to the NIJC**

Award Number	Award Date	Project Start Date	Project End Date	Award Amount
2010-IC-BX-K051	09/20/2010	04/01/2011	03/31/2012	\$250,000
2011-IP-BX-K001				
Original Award	09/07/2011	10/01/2011	03/31/2013	850,000
Supplement 1	08/28/2012	10/01/2011	03/31/2014	782,000
Supplement 2	09/10/2013	10/01/2011	12/31/2015	400,000
2011-VF-GX-K020				
Original Award	09/06/2011	10/01/2011	09/30/2012	172,480
Supplement 1	08/08/2012	10/01/2011	09/30/2013	245,304
Supplement 2	08/13/2013	10/01/2011	01/31/2015	177,225
2014-VF-GX-K018	09/23/2014	10/01/2014	09/30/2015	250,000
Total				\$3,127,009

Source: OJP

The NIJC is an Indian owned and operated non-profit corporation. The goals of the NIJC are to design and deliver legal education, research, and technical assistance programs that seek to improve the quality of life for Native communities and the administration of justice in Indian country. The NIJC received two grants from the Bureau of Justice Assistance (BJA), within OJP, Grant Numbers 2010-IC-BX-K051 and 2011-IP-BX-K001, and two grants from the Office for Victims of Crime (OVC), within OJP, Grant Numbers 2011-VF-GX-K020 and 2014-VF-GX-K018. Grant Number 2010-IC-BX-K051 was awarded to the NIJC to increase the capacity of tribal courts to identify clients at risk for alcohol and substance abuse and/or Fetal Alcohol Spectrum Disorder, and to direct them to appropriate services. Grant Number 2011-IP-BX-K001 was awarded to provide

¹ Throughout the report we refer to these awards as grants. However, OJP identified these awards as cooperative agreements, which generally require more involvement by the federal government.

Training and Technical Assistance (T&TA) to Correctional Systems and Correctional Alternatives on Tribal Lands (CSCATL) Program grantees; these grantees received funds to plan, construct, or renovate tribal justice facilities associated with the incarceration and rehabilitation of juvenile and adult offenders subject to tribal jurisdiction, including exploring community-based alternatives to correctional facilities on tribal lands. Grant Number 2011-VF-GX-K020 was awarded to improve the tribal and non-Indian justice system responses to Indian and Alaskan Native victims of alcohol-related crashes on and near tribal lands. The purpose of Grant Number 2014-VF-GX-K018 was to create a mobile app that can be a one-stop portal to information and education on victim/family safety and self-care and to the workings of the various jurisdictions, justice systems, and services from which Native victims and their families may seek support.

Audit Approach

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance.

We tested compliance with what we consider to be the most important conditions of the grants. The criteria we audited against are contained in the OJP Financial Guide and the award documents. The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

We discussed the results of our audit with the NIJC officials and have included their comments in the report, as applicable. In addition, we requested from the NIJC and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices 3 and 4, respectively.

FINDINGS AND RECOMMENDATIONS

At the time of our fieldwork, the NIJC fully expended Grant Numbers 2010-IC-BX-K051 and 2011-VF-GX-K020 and expended more than half of the total funding for Grant Number 2011-IP-BX-K001. There were no expenditures or drawdowns related to Grant Number 2014-VF-GX-K018. Therefore, our audit focused on Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020.

Grant Financial Management

According to the OJP Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. We reviewed the NIJC's Single Audit Reports for 2011 through 2013 to identify internal control weaknesses and significant noncompliance issues related to federal awards. We also conducted interviews with financial staff, examined policies and procedures, and inspected grant documents to determine whether the NIJC adequately safeguards grant funds.

We found that NIJC's written policies and procedures do not include: (1) dollar thresholds regarding authorizations and purchasing, including when vendor selection requires competition; (2) who is responsible for receipt of supplies or services; or (3) how receipt of equipment or supplies should be recorded and inventoried. Because the NIJC's written policies and procedures were not adequately defined in some areas, we found that the NIJC's policies are unclear and do not provide effective control to ensure proper authorizations, vendor competition, or inventory management. According to NIJC officials, these policies and procedures are in the process of being updated. Based on our review, we recommend that OJP ensure the NIJC completes, approves, and implements its written policies and procedures to ensure effective control over authorizations, vendor competition, or inventory management.

Grant Expenditures

The approved budgets for Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020 each included personnel and employee benefits, travel, supplies, consultants/contractors, and other costs. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a judgmental sample of direct, non-personnel transactions from each grant. For Grant Number 2010-IC-BX-K051, of the 91 transactions, we selected the 10 largest transactions and 10 additional judgmentally selected transactions. For Grant Number 2011-IP-BX-K001, of the 196 transactions, we selected the 11 largest amounts, 2 sets of two transactions with duplicate amounts and dates, 9 transactions that were the largest payments to an individual, and 21 judgmentally selected transactions. For Grant Number 2011-VF-GX-K020, of the 211 transactions, we selected the largest 20 transactions and randomly selected

20 additional transactions. For personnel expenses, we selected transactions from six non-consecutive pay periods in which employees were paid with funds from one or more of the grants. The following sections describe the results of that testing.

Direct Costs

The majority of our sample consisted of travel expenses, payments for consultant services, and personnel costs. During our review, we verified that expenses were properly authorized, travel expenses included receipts and were for a purpose that supported grant objectives, and payments to consultants were made in accordance with the consultant agreement and were for services within the terms of the agreement. We also verified that consultant activities were supported by time and effort reports. Finally, we verified that personnel expenses included time sheets that supported the amounts charged to each grant. For all the transactions reviewed, we identified 16 payments from Grant Number 2010-IC-BX-K051, 15 payments from Grant Number 2011-IP-BX-K001, and 24 payments from Grant Number 2011-VF-GX-K020 that lacked an authorization for payment.

According to the OJP Financial Guide, OJP does consider to be allowable the travel expenses of other federal employees, such as those persons serving on advisory committees or providing other program or project duties or assistance, if travel expenses have been: (1) approved by the federal employee's department or agency and (2) included as an identifiable item in the funds budgeted for the project or subsequently approved by the awarding agency. We identified payments totaling \$1,095 for two DOJ employees to attend a meeting for Grant Number 2011-VF-GX-K020. No approvals from these federal employees' departments or agencies were provided. Additionally, these costs were not in the approved budget for the NIJC and no approval was sought from OJP. These costs are therefore unallowable.

We also found additional unallowable costs, including two expenditures totaling \$690 that were inappropriately charged to Grant Number 2010-IC-BX-K051 and three payments to a consultant for accounting services totaling \$4,373 from Grant Number 2011-IP-BX-K001 that were not included in the approved budget.

For Grant Number 2011-IP-BX-K001, we found invoice payments to consultants that were not based on the agreement or time and effort reports as required by the OJP Financial Guide. One consultant had a Memorandum of Understanding (MOU) with the NIJC that stipulated that the consultant would be compensated at a rate of \$450 per day and reimbursed for any travel expenses per federal regulations. Of the 17 consultant payments we tested made to this consultant, 15 payments totaling \$216,460 lacked information regarding the number of hours worked. Payments were based on equal monthly installments of the total contract with no support for the number of hours worked. Also, because there was no support for the number of hours worked, we could not ensure the consultant was not paid more than the allowable \$450 per day. NIJC explained that it would be too burdensome and time consuming to pay the consultant based on hours worked. However, according to this consultant, they have an internal

accounting system to enter time, which attributes time to a task. The NIJC could have requested invoices supported by the number of hours worked; therefore, these costs are unsupported.

We also identified \$18,900 from Grant 2010-IC-BX-K051 and \$74,508 from Grant 2011-VF-GX-K020 in additional consultant payments that lacked time and effort reports. Without these reports we cannot determine if work completed was in support of grant goals and objectives and within the allowable \$450 per day. Therefore, these costs are unsupported.

We identified \$9,865 from Grant Number 2010-IC-BX-K051, \$43,084 from Grant Number 2011-IP-BX-K001, and \$3,385 from Grant Number 2011-VF-GX-K020 in expenses paid to consultants that did not have an award agreement with the NIJC. According to the OJP Financial Guide, when a grantee makes an award to a consultant, the grantee must identify the federal award information and the applicable compliance requirements in the award agreement. The award agreement must, at a minimum, include the following: Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, name of the federal awarding agency, activities to be performed, period of performance, project policies, original award flow-through requirements that are applicable to the consultant, other policies and procedures to be followed, dollar limitation of the agreement, and cost principles to be used in determining allowable costs. Without a contract, we could not determine whether the payment was for work that was within the scope of the agreement, for the agreed upon rate, or within the period of performance. Therefore the costs paid to these contractors are unsupported.

We found the following costs related to travel or training that were not supported: \$1,633 in missing travel receipts from Grant Number 2011-IP-BX-K001 and \$1,584 from Grant Number 2011-VF-GX-K020 for equipment rental to host a training that was missing support for the cost incurred. We also noted that for training events, the NIJC distributed per diem for meals to attendees in the form of cash. In some instances, there was a signature page for attendees' acknowledgement of receipt of cash per diem from NIJC. However, for one training event from Grant Number 2010-IC-BX-K051 and one training event from Grant Number 2011-VF-GX-K020 there was no signature page. Although we are not questioning these costs, the NIJC should ensure in the future these signature pages are maintained for each event where per diem is distributed.

Indirect Costs

Indirect costs are costs that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. We found that NIJC did not have indirect costs approved in the grant budgets or an approved indirect cost rate. However, the NIJC charged a portion of expenses related to grant administration for supplies, communication, postage and shipping, printing and publications, and cost of ownership. Cost of ownership included the mortgage, insurance, maintenance, utilities, taxes, security,

landscaping, and equipment leases for the 24,000 square foot building the NIJC owns for its operations. All administrative costs were charged based on the monthly allocation from the budget, rather than a percentage of actual costs for each month. According to the OJP Financial Guide, in order to be reimbursed for indirect costs, you must first establish an appropriate indirect cost rate.² If an indirect cost proposal is not submitted within 90 days after the award date, indirect costs may not be recovered for the period prior to submission of the proposal. Table 2 below shows the amount of indirect costs charged to each of the grants.

Table 2
Indirect Costs

Indirect Category	Grant Number 2010-IC-BX-K051	Grant Number 2011-IP-BX-K001	Grant Number 2011-VF-GX-K020
Occupancy	\$18,000	\$96,623	\$81,000
Supplies	1,200	6,648	2,025
Communication	2,285	7,200	3,265
Postage & Shipping	2,100	4,200	4,644
Printing & Publications	1,200	3,601	2,175
Total	\$24,785	\$118,362	\$93,109

Source: The NIJC

We are questioning \$236,256 charged to the above grants as unallowable because an indirect cost rate was not approved. Additionally, we identified issues with the current allocation method being used including that: (1) the allocation method was based on a predetermined estimated monthly amount rather than actual costs; (2) the cost of ownership included the entire 24,000 square foot facility owned by the NIJC, but when we conducted fieldwork March 30, 2015, through April 2, 2015, we found that only a small portion of the building was being used for grant administration, therefore, the allocation should be based on the portion of the building used for grant purposes, not the entire building; and (3) the cost of ownership included costs related to landscaping the building, which are not costs necessary for grant administration.

Compliance with Special Conditions

Grant Numbers 2011-IP-BX-K001 and 2011-VF-GX-K020 both included special conditions that prevented the recipient from obligating, expending, or drawing down funds until the Office of the Chief Financial Officer has approved the budget and budget narrative and a Grant Adjustment Notice (GAN) has been issued

² 2 C.F.R. Part 230 also defines indirect costs as those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. 2 C.F.R. Part 230 requires that a non-profit organization first determine the indirect cost rate and then submit its initial indirect cost proposal to the cognizant federal agency. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the non-profit organization.

to remove the special condition. For Grant Number 2011-IP-BX-K001, the NIJC incurred \$30,562 in expenditures prior to receiving financial clearance and the GAN to remove Special Condition Number 21, which occurred on December 1, 2011. NIJC officials explained that the BJA had requested NIJC to begin work prior to the removal of the special condition. This included participating in the 2011 CSCATL Training and Technical Assistance Program Kick Off Conference Call on November 3, 2011 as well as presenting at the Tribal Justice, Safety, and Wellness Session in Albuquerque, New Mexico in December 2013. For Grant 2011-VF-GX-K020, the NIJC incurred \$30,554 in expenditures prior to receiving financial clearance and the GAN to remove Special Condition Number 40, which occurred on December 6, 2011. According to NIJC officials, they thought that the clearance received from Special Condition Number 43, which was the acceptance of the required assurances and certifications, was the financial clearance. A NIJC official explained they were unaware of the additional special condition. We found no approvals for incurring expenses prior to receiving the GAN to remove each special condition. Therefore these costs were unallowable.

Grant Numbers 2011-IP-BX-K001 and 2011-VF-GX-K020 both included special conditions that required the recipient to obtain approval to pay consultants more than \$450 per day, or \$56.25 per hour. We found that NIJC did not obtain approval to pay consultants more than \$450 per day for either grant. However, we found three payments from Grant Number 2011-IP-BX-K001 and one payment from Grant Number 2011-VF-GX-K020 that exceeded the allowable rate. In total, NIJC paid \$841 and \$40 above the allowable rate from Grant Numbers 2011-IP-BX-K001 and 2011-VF-GX-K020, respectively.

Based on our transaction testing, we recommend that OJP remedy \$673,829 in questioned costs related to unapproved federal employee travel, payments to unbudgeted consultants and for non-grant expenses, non-compliance with the terms of a consultant agreement or the OJP Financial Guide, payments to consultants without agreements, unsupported travel and training costs, unapproved indirect cost rate, and non-compliance with grant special conditions. OJP should also ensure the NIJC has policies and procedures in place to ensure expenses are properly approved before payment; consultant agreements are in place and time and effort reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and compliance with all grant special conditions.

Budget Management and Control

According to the OJP Financial Guide, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a GAN for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

We compared grant expenditures to the approved budgets for Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020 to determine whether the NIJC transferred funds among budget categories in excess of 10-percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent for Grant Number 2011-IP-BX-K001. However, we found that cumulative transfers for Grant Numbers 2010-IC-BX-K051 and 2011-VF-GX-K020 exceeded the allowable 10-percent threshold by \$43,360 and \$265, respectively. Our detailed analysis for Grant Number 2010-IC-BX-K051 is included below.³

Table 3

Total Amount Overbudget for Grant Number 2010-IC-BX-K051

Budget Category	Budgeted Amount	Actual Expenditures	Difference
Personnel	\$84,750	\$146,327	(\$61,577)
Fringe Benefits	\$19,400	\$26,418	(\$7,018)
Travel	\$24,400	\$18,541	\$5,859
Equipment	-	-	-
Supplies	\$1,200	\$1,200	-
Contractual	\$84,000	\$34,165	\$49,835
Other	\$36,250	\$23,585	\$12,665
Total Overbudget			\$68,596
Allowable 10% of Total Project Costs			\$25,000
Direct Expenditures Exceeding Budget			\$236
Difference			\$43,360

Note: Difference between the sums is the result of rounding.

Source: OJP and NIJC accounting records

As no GAN was submitted to OJP for approval, we question the amounts of \$43,360 from Grant Number 2010-IC-BX-K051 and \$265 from Grant Number 2011-VF-GX-K020 as unallowable. We recommended that OJP coordinate with the NIJC to remedy the unallowable expenses and ensure the NIJC implements policies and procedures to ensure compliance with budget requirements.

Drawdowns

According to the OJP Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. NIJC officials stated that grant drawdowns are requested monthly or quarterly on a

³ Because the cumulative transfers exceeding 10-percent for Grant Number 2011-VF-GX-K020 totaled \$265, we did not include a detailed analysis.

reimbursement basis, using information generated by their accounting system. As of March 17, 2015, the NIJC had drawn down \$250,000 from Grant Number 2010-IC-BX-K051, \$1,315,363 from Grant Number 2011-IP-BX-K001, and \$595,009 from Grant Number 2011-VF-GX-K020. The total drawdowns for Grant Numbers 2010-IC-BX-K051 and 2011-VF-GX-K020 represent the entire grant awards. To assess whether the NIJC managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. For Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020, we found that the cumulative drawdowns were supported by the cumulative expenditures in the accounting records.

Also, according to the OJP Financial Guide, expenditure of funds can occur within the 90-day liquidation period after the grant ends. The liquidation period exists to allow projects time to receive ordered goods and make final payments. No new obligations can be made during the period. We found that the NIJC incurred \$5,410 in grant expenditures under Grant Number 2011-VF-GX-K020 after the grant period ended on January 31, 2015.

We recommend that OJP remedy \$5,410 in grant expenditures that the NIJC incurred after the grant period ended for Grant Number 2011-VF-GX-K020.

Federal Financial Reports

According to the OJP Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. The grantee's accounting system must support all of the financial reporting that is accurate, current, and complete. To determine whether the FFRs submitted by the NIJC were accurate, we compared the four most recent reports to the NIJC's accounting records for each grant.

During our review of accounting records, we found that the NIJC charged one lump sum amount to the grants for the following costs: fringe benefits, cost of ownership, supplies, communication, postage and shipping, and printing and publications. According to the NIJC, these are administrative expenses related to running the company that are charged to each grant by an allocation method.⁴ They are shown in the accounting records as one transaction because each monthly allocation was rolled up into one expense. At the end of the grant, as part of the closeout, these overhead and fringe expenses are charged to the grant. We requested the monthly allocation breakdown, which the NIJC did not originally provide. We included the monthly allocation breakdown for administrative costs in the FFR analysis and, as shown in Table 4, we identified discrepancies between the expenditures in the accounting records and what was reported in the FFR for Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020.

⁴ See the Indirect Costs section of this report for analysis related to the indirect costs.

Table 4
FFR Analysis

Report Number	Report Period From Dates	Report Period To Dates	Periodic Expenditures Per FFR	Expenditures Per Accounting Records	Difference	Cumulative Difference
2010-IC-BX-K051						
1	04/1/2011	06/30/2011	\$29,203	\$69,244	\$40,041	\$40,041
2	07/1/2011	09/30/2011	\$83,814	\$76,276	(\$7,538)	\$32,503
3	10/1/2011	12/31/2011	\$75,694	\$61,920	(\$13,775)	\$18,728
4	01/1/2012	03/31/2012	\$61,289	\$42,796	(\$18,492)	\$236
2011-IP-BX-K001						
10	01/1/2014	03/31/2014	\$102,792	\$57,912	(\$44,880)	(\$88,349)
11	04/1/2014	06/30/2014	\$82,268	\$74,491	(\$7,777)	(\$96,126)
12	07/1/2014	09/30/2014	\$64,781	\$84,414	\$19,633	(\$76,493)
13	10/1/2014	12/31/2014	\$64,064	\$105,857	\$41,793	(\$34,700)
2011-VF-GX-K020						
9	01/1/2014	03/31/2014	\$55,259	\$34,768	(\$20,491)	\$36,142
10	04/1/2014	06/30/2014	\$35,530	\$53,345	\$17,815	\$53,957
11	07/1/2014	09/30/2014	\$36,918	\$26,893	(\$10,025)	\$43,931
12	10/1/2014	01/31/2015	\$60,018	\$10,676	(\$49,341)	(\$5,410)

Note: Differences between the sums are the result of rounding.

Source: OJP and the NIJC

For the three grants, none of the four most recent FFRs were accurate to the NIJC's accounting records. According to NIJC officials, overhead expenses are shown in the accounting records for the month the expenses occurred, but the expense does not always get paid until the following month. As such, some of the discrepancies between the FFRs and accounting records appear to be due to timing. However, the monthly allocation did not offset the discrepancies entirely.

Additionally, for Grant Number 2011-VF-GX-K020 we identified \$5,410 in grant expenses in the accounting records that occurred after January 31, 2015. However, for the reporting period October 1, 2014, to January 31, 2015, the NIJC reported the grant was fully expended.

Program Income

Tuition and registration fees are considered program income and must be accounted for in accordance with the OJP Financial Guide. From our review of the FFRs submitted by the NIJC, we found that no program income was reported for any of the grants. Additionally, program income was not approved in any of the grant budgets. However, during our transaction testing for Grant Number 2011-VF-GX-K020, we identified two trainings that were hosted by the NIJC that

required a tuition or registration payment in order to attend. *The Tribal Court Probation Training* was held December 5, 2012, through December 7, 2012, and required a tuition fee of \$545 per person. The 12th Annual *For All My Relations: A Conference for Indian Families* was held August 1, 2012, through August 4, 2012, and required a registration fee of \$360 per person and \$185 per child. From our review, the NIJC used grant funds to pay for consultants to present at each of these trainings. As a result, the OJP Financial Guide requires that the NIJC report any income made from the award using the same ratio of federal participation as funded by the project or program. For example, a discretionary award project funded with 100-percent federal funds must account for and report on 100 percent of the total program income earned. If the total program income earned was \$20,000, the recipient must account for and report the \$20,000 as program income on the FFR.

We recommend that OJP ensure that the NIJC implements a process to submit FFRs that accurately reflect expenditures for each reporting period. Since the income the NIJC generated from these trainings was only partially funded by Grant Number 2011-VF-GX-K020, we also recommend that OJP ensure that the NIJC determine the amount of the tuition and registration fees collected for all training events that should be considered program income, submit a FFR that accurately reflects program income generated under Grant Number 2011-VF-GX-K020, and either uses program income for grant purposes or returns generated income to OJP.

Program Performance and Accomplishments

We reviewed the Categorical Assistance Progress Reports (progress reports), which are completed semiannually, to determine if the required reports are accurate. We also reviewed the grant deliverables and interviewed NIJC officials to determine whether the program goals and objectives were implemented. Finally, we reviewed the NIJC's compliance with the special conditions identified in the award documentation.

Categorical Assistance Progress Reports

According to the OJP Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in progress reports, we selected a judgmental sample of performance measures from the two most recent progress reports submitted for each grant for a total sample size of 14: (1) four deliverables from Grant Number 2010-IC-BX-K051, (2) six deliverables from Grant Number 2011-IP-BX-K001, and (3) four deliverables from Grant Number 2011-VF-GX-K020. We then traced the items to supporting documentation maintained by the NIJC.

Based on our progress report testing, we did not identify any instances where the accomplishments described in the progress reports did not match the supporting documentation.

Program Goals and Objectives

The goal for Grant Number 2010-C-X-K051 was to increase the capacity of tribal courts to identify clients at risk for alcohol and substance abuse and/or Fetal Alcohol Spectrum Disorder and to direct them to appropriate services. The grant was closed on March 31, 2012. We reviewed the program evaluation completed for the project, which suggested that the NIJC made positive progress toward its goal of developing and implementing an education curriculum for training stakeholders for improving their tribal justice system response to clients who may be dealing with alcohol and/or drug addiction. We interviewed NIJC personnel who explained they were satisfied with the results of the program. Finally, we verified a sample of deliverables submitted through the progress reports and did not identify any deficiencies. Based on our review, there were no indications that NIJC did not meet the stated goals and objectives of the grant.

The goal for Grant Number 2011-IP-BX-K001 was to assist tribes in assessing their existing justice system continuum of services to determine the strategies that will be most effective, efficient, and sustainable in addressing the tribal correctional and/or correctional alternative needs. In addition to the deliverables we verified through the progress report analysis, we found that the NIJC has completed the following deliverables: (1) Planning OneNote Tool for project management, (2) online version of Planning of New Institutions (PONI) training, and (3) two publications. The NIJC was waiting for BJA approval to implement these items, and in one instance, for the Planning Notebook Tool, the NIJC has been waiting for BJA approval since July 2013. We did find that the NIJC requested and was approved for a project extension to continue providing T&TA through December 31, 2015. With the project extension, the NIJC plans to deliver specifically tailored onsite training to grantees. According to the NIJC, more time was also needed to get the publications through the BJA approval process. With the exception of waiting on the BJA approvals it appears the NIJC is on track to meet its goals.

The goal for Grant Number 2011-VF-GX-K020 was to improve tribal and non-Indian justice system responses to American Indian and Alaskan Native victims of alcohol-related crashes on and near tribal lands. All grant funds have been fully drawn down and expended. According to NIJC officials, for this program, the goal was to spell out jurisdictional issues on tribal lands, which they accomplished through creating online curriculum, the OVC's first online project. From our review of progress reports, the NIJC completed the tasks outlined in the application materials and there were no indications that the NIJC did not meet the stated goals and objectives of the grant.

The purpose of Grant Number 2014-VF-GX-K018 was to create a mobile app that can be a one-stop portal to information and education on victim/family safety and self-care and to the workings of the various jurisdictions, justice systems, and services from which Native victims and their families may seek support. According to NIJC officials, there was a special condition requiring a tribal resolution be submitted to OJP before work on the grant could begin on October 1, 2014. OVC officials explained that the Office of General Council, within OJP, advised the

OVC to add the condition requiring the recipient to obtain a tribal resolution. However, if the condition caused problems, the issue could be revisited. The NIJC had exhausted all avenues to obtain a tribal resolution. As a result, in May 2015, the OVC reached out to the Office of General Council to request the special condition be lifted with the understanding that the NIJC would continue to pursue getting a tribal resolution during the grant period. The special condition was lifted on July 13, 2015. However, the project end date was September 30, 2015; therefore, due to the delays obtaining a tribal authorizing resolution, the project period was extended to June 30, 2016.

We recommend that OJP ensure all deliverables are approved and implemented for use by grantees for Grant Number 2011-IP-BX-K001.

Conclusion

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We examined the NIJC's accounting records, budget documents, financial and progress reports, and financial management procedures. We found that the NIJC: (1) did not adequately define policies and procedures related to authorizations, vendor competition, or inventory management; (2) incurred \$353,446 in unallowable costs related to federal employee travel, non-grant expenditures, unbudgeted costs, unapproved indirect costs, non-compliance with grant special conditions, budget management, and expenditures incurred after the grant end date; (3) incurred \$369,418 in unsupported costs related to non-compliance with a consultant agreement and OJP Financial Guide, non-existent consultant agreements, and travel and training costs that lacked adequate documentation; (4) did not submit accurate FFRs for three of the grants or report program income; and (5) was delayed in achieving grant goals and objectives for one of the grants. We made 10 recommendations to improve the NIJC's management of awards.

Recommendations

We recommend that OJP:

1. Ensure the NIJC completes, approves, and implements its written policies and procedures to ensure effective control over authorizations, vendor competition, or inventory management.
2. Remedy \$304,411 in unallowable costs related to the following issues:
 - a. \$1,095 in grant reimbursements for unapproved federal employee travel expenditures from Grant Number 2011-VF-GX-K020.
 - b. \$690 in grant reimbursements for expenses inappropriately charged to Grant Number 2010-IC-BX-K051.

- c. \$4,373 in grant reimbursements for unbudgeted expenses from Grant Number 2011-IP-BX-K001.
 - d. \$24,785 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$118,362 in grant reimbursements from Grant Number 2011-IP-BX-K001, and \$93,109 in grant reimbursements from Grant Number 2011-VF-GX-K020 that were paid for indirect costs without an approved indirect cost rate.
 - e. \$30,562 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$30,554 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended prior to the removal of Special Condition Numbers 21 and 40, respectively.
 - f. \$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$40 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended on consultant rates in excess of the allowable \$450 per day.
3. Remedy \$369,418 in unsupported costs related to the following issues:⁵
- a. \$216,460 in grant reimbursements from Grant Number 2011-IP-BX-K001 for payments to a consultant that were not within the requirements of the MOU or OJP Financial Guide.
 - b. \$18,900 in grant reimbursements from Grant Number 2010-IC-BX-K051 and \$74,508 from Grant Number 2011-VF-GX-K020 for payments to consultants without sufficient time and effort reports.
 - c. \$9,865 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$43,084 from Grant Number 2011-IP-BX-K001, and \$3,385 from Grant Number 2011-VF-GX-K020 for payments to consultants without an agreement.
 - d. \$1,633 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$1,584 from Grant Number 2011-VF-GX-K020 for training costs that lacked sufficient supporting documentation.
4. Ensure the NIJC has policies and procedures in place to ensure expenses are properly approved before payment; consultant agreements are in place and time and effort reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and compliance with all grant special conditions.

⁵ The difference is due to rounding.

5. Remedy the \$43,360 from Grant Number 2010-IC-BX-K051 and \$265 Grant Number 2011-VF-GX-K020 in unallowable expenses related to cumulative transfers between budget categories exceeding the allowable 10-percent.
6. Ensure the NIJC implements policies and procedures to ensure compliance with budget requirements.
7. Remedy \$5,410 in expenditures that were incurred after the grant period ended for Grant Number 2011-VF-GX-K020.
8. Ensure that the NIJC implements a process to submit FFRs that accurately reflect expenditures for each reporting period.
9. Ensure that the NIJC determines the amount of the total tuition and registration fees collected from the training events partially funded with grant funds that should be considered program income for Grant Number 2011-VF-GX-K020 and either uses the program income for grant purposes or returns generated income to OJP.
10. Ensure all deliverables are approved and implemented for use by grantees for Grant Number 2011-IP-BX-K001.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, expenditures, budget management and control, drawdowns, federal financial reports, and program performance.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

This was an audit of four grants awarded by the Office of Justice Programs (OJP) to the National Indian Justice Center (NIJC). Two grants were awarded by the Bureau of Justice Assistance (BJA), within the OJP, Grant Numbers 2010-IC-BX-K051 for \$250,000 and 2011-IP-BX-K001 for \$2,032,000. Two grants were awarded by the Office for Victims of Crime (OVC), within OJP, Grant Numbers 2011-VF-GX-K020 for \$595,009 and 2014-VF-GX-K018 for \$250,000. As of March 17, 2015, the NIJC had drawdown \$250,000 from Grant Number 2010-IC-BX-K051, \$1,315,363 from Grant Number 2011-IP-BX-K001, \$595,009 from Grant Number 2011-VF-GX-K020, and no funds from Grant Number 2014-VF-GX-K018. The total drawdowns for Grant Numbers 2010-IC-BX-K051 and 2011-VF-GX-K020 represent the entire grant award. Our audit concentrated on, but was not limited to September 20, 2010, the award date for Grant Number 2010-IC-BX-K051, through April 2, 2015, the last day of our fieldwork. There were no expenditures or drawdowns related to Grant Number 2014-VF-GX-K018. Therefore, our audit focused on Grant Numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of the NIJC's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, travel expenses, and consultant payments; financial reports; and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The criteria we audit against are contained in the OJP Financial Guide and the award documents. In addition, we evaluated the NIJC's: (1) grant financial management, including grant-related procedures in place for procurement, contractor monitoring, financial reports, and progress reports; (2) budget management and controls; (3) drawdowns; and (4) program performance.

During our audit, we obtained information from OJP's Grant Management System (GMS) as well as the NIJC's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems was verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ⁶	AMOUNT	PAGE
<u>Unallowable Costs</u>		
Unapproved Federal Employee Travel	\$1,095	4
Expenses Inappropriately Charged to Grant	690	4
Unbudgeted Expenses	4,373	4
Indirect Costs	236,256	5-6
Non-Compliance with Grant Special Conditions	61,997	7
Exceed 10-Percent Budget Movement	43,625	8
Expenses Incurred after Grant End	5,410	9
Total Unallowable Costs	\$353,446	
<u>Unsupported Costs</u>		
Non-Compliance with Consultant Agreement	\$216,460	4-5
Consultant Payments Lacking Time and Effort Reports	93,408	5
No Consultant Agreements	56,334	5
Unsupported Travel and Training Costs	3,217	5
Total Unsupported Costs	\$369,418 ⁷	
<u>GROSS QUESTIONED COSTS</u>		
<i>Less Duplicative Costs</i> ⁸	\$7,319	4-7
NET QUESTIONED COSTS	\$715,545	

⁶ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

⁷ The difference is due to rounding.

⁸ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which include: (1) \$4,373 in unbudgeted expenses for accounting services that were also questioned because the consultant did not have an agreement in place while providing services, (2) \$2,065 from Grant Number 2011-VF-GX-K020 for payments to consultants without an agreement that also lacked time and effort reports, and (3) \$841 from Grant Number 2011-IP-BX-K001 and \$40 from Grant Number 2011-VF-GX-K020 for payments to consultants who were paid above \$450 per day and without an agreement or a time and effort report.

THE NATIONAL INDIAN JUSTICE CENTER
SANTA ROSA, CALIFORNIA
RESPONSE TO THE DRAFT AUDIT REPORT⁹



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Joseph A. Myers, Executive Director

August 5, 2015

Mr. David J. Gaschke
Regional Audit Manager
Office of the Inspector General
San Francisco Regional Audit Office
90 7th Street, Suite 3-100
San Francisco, CA 94103

Re: National Indian Justice Center's Response to the DOJ OIG Draft Audit Report

Dear Mr. Gaschke:

This letter, its attachments and the National Indian Justice Center's (NIJC) management representation letter constitute NIJC's response to the U.S. Department of Justice (DOJ) Office of Inspector General (OIG) Draft Audit Report. We have provided the text of each of the ten recommendations followed by NIJC's statement concerning the recommendation and corrective action for OJP's consideration. We have not submitted any confidential information in this response.

Section: Grant Financial Management

- 1. **Recommendation that OJP ensure the NIJC completes, approves, and implements its written policies and procedures to ensure effective control over authorizations, vendor competition, or inventory management.**

NIJC agree in part with this recommendation. NIJC has written fiscal policies and procedures in place. We suspect that the auditors made this recommendation based upon a draft policy pending board review rather than NIJC's current fiscal policy. NIJC currently operates under a written fiscal policy that ensures effective control over authorizations, vendor competition, and inventory management for government and non-government property. NIJC's current fiscal policy includes dollar thresholds regarding authorizations and purchasing, including when vendor selection requires competitive bid. NIJC acknowledges that its current operational policy is old and is in the process of being revised. (NIJC's current fiscal policies and procedures is attached.)

Corrective Action. The current fiscal policy addresses concerns raised in this recommendation. The draft revised fiscal policy (including new revised thresholds for authorization and vendor competition) will be reviewed by the NIJC Board for approval

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⁹ Attachments to this response were not included in this final report.

or disapproval at their meeting in December 2015.

Section: Grant Expenditures

2. Recommendation that OJP remedy \$304,411 in unallowable costs related to the following issues:

a. \$1,095 in grant reimbursements for unapproved federal employee travel expenditures from Grant Number 2011-VF-GX-K020.

NIJC AGREES with this recommendation. During this project, NIJC sought participation of federal prosecutorial teams. We had two participants from federal offices that submitted requests for the stipends for the pilot project participants. We were told that one was using personal time to attend.

Corrective Action: NIJC will contact the two federal employees to verify that they attended the conference in the capacity of a federal employee rather than on private time or as a tribal employee that served as a liaison to the agency. We will request any information or approvals that they may have to support their attendance. We will verify if they took vacation time to attend the pilot test training session. Based upon their responses, NIJC will determine whether they have a viable justification or whether NIJC should repay the amount to the Office for Victims of Crime (OVC).

b. \$690 in grant reimbursements for expenses inappropriately charged to Grant Number 2010-IC-BX-K051.

NIJC AGREES with this recommendation. The expense was mistakenly charged to this grant. The expense should have been charged to Grant 2011-VF-GX-K020.

Corrective Action: NIJC agrees to correct its financial records and to reimburse Grant 2010-IC-BX-K051 in the amount of \$690.

c. \$4,373 in grant reimbursements for unbudgeted expenses from Grant Number 2011-IP-BX-K001.

NIJC AGREES with this recommendation. This amount consists of three invoices from NIJC's accountant who is a consultant to the grant. She was not included in the budget for this grant but should have been.

Corrective Action: NIJC will submit a grant adjustment notice (GAN) to the Bureau of Justice Assistance (BJA) to revise the project budget to include a

budget line item for accounting services for this grant to resolve this issue. NIJC will engage all of its consultants working under DOJ grant awards in consultant agreements that incorporate all of the OJP requirements.

- d. **\$24,785 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$118,362 in grant reimbursements from Grant Number 2011-IP-BX-K001, and \$93,109 in grant reimbursements from Grant Number 2011-VF-GX-K020 that were paid for indirect costs without an approved indirect cost rate.**

RESPONSE: NIJC DISAGREES with the auditors' finding that questions \$236,256 as unallowable costs because an indirect cost rate was not approved. NIJC's proposed budgets are for costs assignable to a particular project and are not indirect costs; and no special conditions requiring an indirect cost rate were applied to NIJC Grant Awards. Pursuant to the OJP Financial Guide (versions 2009 and 2011), if no Federal indirect cost rate has been approved, an agency will be unable to recover funds budgeted for indirect costs until a rate is approved. The OJP Financial Guide indicates that in addition, a special condition will be added to the award prohibiting the obligation, expenditure, or draw down of funds reimbursement for indirect costs until an indirect cost rate has been approved by your cognizant Federal agency, and a GAN has been issued retiring the special condition. No such special condition was applied to NIJC grant awards.

NIJC has a large building that includes office space, reception areas, kitchens, four bathrooms, four multi-purpose training rooms, two conference rooms, file storage space, library, print and mailing rooms. Most of this space is used by NIJC to design, develop and disseminate project deliverables, deliver training curriculum in classroom, online and webinar formats. For NIJC budget purposes, the cost of ownership includes the usage of space for specified project activities.

In the development of its budgets, NIJC calculates an ACTUAL cost of ownership used for comparison to the proposed budget line item of cost of ownership. An example of this is shown in the 2012 BJA Corrections (2011-IP-BX-K001) budget narrative which states:

Cost-of-Ownership

In both years, the project's day-to-day activities, will take place at the 24,000 square foot facility owned by NIJC. Seven (7) staff offices, a networked computer system, multi-line phone system, meeting rooms, website and other facility resources will be used. The project will incur approximately 15% of the total costs associated with owning the building. Actual 2012 monthly ownership costs for the 24,000 square foot facility

average \$16,500 per month and encompass insurance, maintenance, utilities, mortgage, taxes, security, landscaping and equipment leases.

The example language shown above may be confusing but the intent is to show the contrast between what is used for the project in comparison to the actual monthly costs of ownership. For the example above, the cost to the grant was \$2,250 which is for the space used for the project and for comparison's sake amounts to 13.6% of the costs associated with owning the building.

Alternative Corrective Action. No corrective action required. NIJC's allocation method for cost of ownership is based upon specific proposed grant activities and use of NIJC's facility space and resources as noted in the proposed budgets and budget narratives. The cost of ownership for our budgets does not include the entire 24,000 square foot facility owned by NIJC. The cost of ownership line item in NIJC budgets does not include costs related to landscaping the building. Although we do not think corrective action is required, NIJC will develop and submit an Indirect Cost Agreement to OJP if necessary.

- e. **\$30,562 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$30,554 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended prior to the removal of Special Condition Numbers 21 and 40, respectively.**

RESPONSE: NIJC DISAGREES with the finding of the *amounts in question* in this recommendation. The amounts in question are from a journal entry that is calculated and entered by our accountant. The journal entry is an automated entry that distributes the salary and fringe over active grants. After the Special Conditions were released in December, our accountant included these grants in the salary/fringe journal entry starting with the original grant period in October rather than in December as per the Special Conditions. This internal record error came to our attention from the OIG Auditors' findings. Our initial drawdowns, shown by date and amount below, for these grants were made against actual expenditures and timesheets.

Grant Number 2011-IP-BX-K001 Draw Downs	
12/28/2011	\$22,457.40
02/03/2012	\$16,531.30
03/06/2012	\$18,146.19
Grant Number 2011-VF-GX-K020 Draw Downs	

01/05/2012	\$11,765.00
02/03/2012	\$16,919.57
03/06/2012	\$11,364.99

Alternative Corrective Action: To remedy this error in our records, NIJC will work with the accountant and our auditor to create a corrected journal entry for both of the grants.

RESPONSE: NIJC DISAGREES with the auditors' finding that NIJC received \$30,562 in *grant reimbursements from Grant Number 2011-IP-BX-K001 prior to the removal of Special Condition Number 21.*

Although, the response to the recommendation is noted above, NIJC would also like to address the aspect that expenditures were made before the removal of the Special Condition. NIJC was asked by BJA to begin grant activities including expenditures for time, travel and meeting participation. On November 3, 2011, during the project kick off conference call, BJA notified NIJC that project staff were expected to attend the Tribal Justice, Safety and Wellness Conference, December 12-16, 2011. NIJC was asked to develop and submit an outreach letter for the CTAS Area 4 grantees for BJA to review by November 10, 2011. NIJC was requested to begin work by BJA before BJA released Special Condition 21 on December 1, 2011, GAN Number 001. Supporting documentation is attached which includes emails, GAN and conference call notes. In addition, NIJC's first draw down was done on December 28, 2011, after the special condition was removed.

Alternative Corrective Action: Project staff documented hours and activities for the grant during the period of November - December, 2011. NIJC was instructed to work on November 3, 2011. NIJC will submit a GAN to BJA to address actual expenditures that should have been charged to the grant in November.

- f. **\$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$40 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended on consultant rates in excess of the allowable \$450 per day.**

RESPONSE: NIJC DISAGREES with respect to \$112.50 of the questionable amount of \$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 on the basis that the consultant hours on the invoice were misread and miscalculated by NIJC. This resulted in an overpayment of 2 hours at \$56.25/hour. This was not an amount in excess of the allowable \$450 per day consultant rate.

Alternative Corrective Action. NIJC will revise its financial records and refund the 2 hours at \$56.25 back to Grant Number 2011-IP-BX-K001.

RESPONSE: NIJC AGREES with respect to the amount of \$728.75 paid to a consultant in excess of the rate of \$56.25 with respect to the Project Technology Specialist. The Project Technology Specialist was part of NIJC staff and included in the NIJC personnel for Grant Number 2011-IP-BX-K001. On October 16, 2013, he moved to consultant status to reduce his number of hours after his wife passed away.

Corrective Action: NIJC will submit a GAN to change the budget to reflect the change from personnel to consultant. The consultant is an asset to the projects. His hourly rate does exceed the \$450/day consultant rate in effect at the time of the grant award. NIJC will include in the GAN a request to modify his rate to \$70/hour (vs. \$56.25/hour) based upon his skills and experience with NIJC infrastructure and resources.

RESPONSE: NIJC AGREES with respect to the amount of \$40.00 paid to a consultant in excess of the rate of \$56.25 with respect to the Project Technology Specialist pursuant to Grant 2011-VF-GX-K020. He was part of NIJC staff and included in the NIJC personnel for our projects. On October 16, 2013, he moved to consultant status due to his wife's death. This \$40 overpayment resulted from an invoice dated November 15, 2013, just following his change in status to consultant. NIJC did not submit a GAN to change his status and request that his rate of pay exceed the \$450 consultant rate at that time.

Corrective Action: NIJC will repay this amount because this grant is currently closed. If the grant can be reopened, we can submit a GAN to request that the consultant rate of pay be raised to \$70/hour based upon his skills and expertise.

3. Remedy \$369,418 in unsupported costs related to the following issues:

- a. **\$216,460 in grant reimbursements from Grant Number 2011-IP-BX-K001 for payments to a consultant that were not within the requirements of the MOU or OJP Financial Guide.**

RESPONSE: NIJC DISAGREES with respect to the amount of \$216,460 unsupported costs paid to a consultant that were not within the requirements of the MOU or OJP Financial Guide. NIJC has an agreement with EKM&P to provide services upon demand of NIJC pursuant to BJA grantee requests by email, phone and online TA requests. This agreement serves to retain EKM&P as a subcontractor of NIJC for a minimum number of hours (and bars EKM&P from

taking on additional contracts). BJA grantee requests are not consistent in terms of number of requests per day. In addition, NIJC and EKM&P are subject to requests from BJA to attend meetings and conference calls with short notice. Although NIJC facilitates a majority of interactions between EKM&P, there are many instances of ongoing materials dissemination and dialogues to follow up on previous calls that would be burdensome on NIJC to track.

Alternative Corrective Action: The majority of costs were for activities that NIJC coordinated for and participated in with the consultant. The consultant maintains their internal time and billing system. NIJC will ask that EKM&P provide time reports to support their invoices.

- b. **\$18,900 in grant reimbursements from Grant Number 2010-IC-BX-K051 and \$74,508 from Grant Number 2011-VF-GX-K020 for payments to consultants without sufficient time and efforts reports.**

RESPONSE: NIJC DISAGREES with respect to the amount of \$18,900 paid in grant reimbursements from Grant Number 2010-IC-BX-K051 to consultants without sufficient time and efforts reports. The events and activities for these consultants were done in collaboration with NIJC project staff in-person/onsite and online/webinar collaborations where NIJC was able to witness the consultants' work. The agendas for onsite work and work product delivery pursuant to time task plans were implemented by the consultants and verified by NIJC project staff. For the evaluation consultant, the evaluation of data collection tools and data collected are ongoing while the evaluation deliverables are at the front end (tools) and the back end (reports) of the project periods.

Alternative Corrective Action: This grant has been closed. NIJC can provide agendas for onsite work and work product for the ongoing evaluation of the projects.

RESPONSE: NIJC DISAGREES with respect to the amount of \$74,508 from Grant Number 2011-VF-GX-K020 for payments to consultants without sufficient time and efforts reports.

Alternative Corrective Action: NIJC project staff worked collaboratively with the consultants to the project. We witnessed their work and have agendas and deliverables to support their time and effort. NIJC will develop a new protocol for consultants to report their hours and activities for grant projects.

- c. **\$9,865 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$43,084 from Grant Number 2011-IP-BX-K001, and \$3,385 from Grant Number 2011-VF-GX-K020 for payments to consultants without an**

agreement.

RESPONSE: NIJC AGREES with respect to not having formal agreements in place. Generally, NIJC consultants are named in the project proposals and submit letters of commitment describing their role in the project as part of the proposal package. In addition, BJA must approve any consultant onsite work including estimated fees and expenses before the consultant may begin. For conferences, we must submit and receive approval for conference site and expenditures including consultant fees and expenses.

Corrective Action: NIJC is researching online time and effort tracking programs to resolve this issue. NIJC will develop consultant agreements to document the consultant role in the project, including time and effort sheets and hourly/daily fee limits. NIJC will submit consultant agreements to BJA for upcoming consultant activities. NIJC can submit a GAN to BJA to document the terms of the consultant agreement and certify that these were the terms under which the consultants were asked to provide services.

- d. \$1,633 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$1,584 from Grant Number 2011-VF-GX-K020 for training costs that lacked sufficient supporting documentation.**

RESPONSE: NIJC AGREES with respect to the lack of sufficient supporting documentation for the training costs.

Corrective Action: NIJC staff has searched for the receipts and bills supporting these costs in physical files and digital scans. We have contacted the consultants and the facilities and requested any copies that they have of the documentation. One of the consultants has moved from his family home to a new home in another state and does not have any personal files or receipts that date back this far. To date, we have had limited success. The Hilton Garden Inn provided a receipt for the project consultant's stay Feb. 21-23, 2012 in the amount of \$275.48. (Receipt is attached.) The consultant's travel required overnight stays in another lodging facility upon arrival and departure out of San Francisco. We have made requests for that documentation as well for the remaining \$1357.52 in grant reimbursements from Grant 2011-IP-BX-K001. The \$1584 amount is related to audio visual equipment rental at a hotel facility. NIJC provided a list of equipment but the hotel invoiced NIJC for all AV expenses for the 3 day period which included non-project workshops. Using the Hotel's menu of AV equipment rental, we broke down the charges for the specific project training room and provided the cost to the Auditors.

- 4. Ensure the NIJC has policies and procedures in place to ensure expenses are**

properly approved before payment; consultant agreements are in place and time and efforts reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and compliance with all grant special conditions.

RESPONSE: NIJC DISAGREES, in part. NIJC has fiscal policies in place. We believe that the auditors did not review the current fiscal policies but rather reviewed the draft policies pending review by the NIJC Board of Directors. Current fiscal policies and procedures are in place and ensure expenses are properly approved before payment. NIJC's current fiscal procedures include obtaining signatures for per diem distribution. We have been unable to locate a signature page requested by the auditors while onsite.

Alternative Corrective Action: NIJC will need to update its pending draft policies to include criteria for requiring consultant agreements in addition to their commitment letters, including requiring consultant time and efforts reports. The NIJC Board of Directors meets in December 2015 when it will vote to approve or disapprove the updated fiscal policies and procedures. If approved, NIJC can submit the updated fiscal policies and procedures to OJP. As noted in the response to recommendation #2(d), NIJC will submit an indirect cost agreement to OJP but does not agree that any indirect costs have been charged to the grants.

Section: Budget Management and Control

5. **Remedy the \$43,360 from Grant Number 2010-IC-BX-K051 and \$265 Grant Number 2011-VF-GX-K020 in unallowable expenses related to cumulative transfers between budget categories exceeding the allowable 10-percent.**

RESPONSE: NIJC AGREES. During the project period for Grant 2010-IC-BX-K051, one of the consultants to the grant was in a car accident and broke her hip prohibiting her from travel to training sites. She was able to participate in webinars and development of deliverables. The notice of her accident was provided to NIJC on the morning of a training event in which the consultant was expected to participate. NIJC staff filled in for her on the basis of having collaborated with her to research the content and to develop the training materials. NIJC failed to submit a GAN to support the budget modification.

Corrective Action: If allowed, NIJC will submit a GAN to modify the budget categories for 2010-IC-BX-K051 to change the consultant line item and the project staff salary and fringe. For Grant Number 2011-VF-GX-K020, NIJC will need to review its records to determine the expenditures that constitute the \$265 that exceeded the allowable 10% cumulative budget modification. Once that is determined, we will repay or submit a GAN to revise the budget, if allowed.

6. **Recommendation that OJP coordinate with the NIJC to remedy the unallowable expenses and ensure the NIJC implements policies and procedures to ensure compliance with budget requirements.**

RESPONSE NIJC AGREES, in part. NIJC has fiscal policies in place that ensure compliance with budget requirements. NIJC suspects that the auditors may have only received the pending revised fiscal policies.

Corrective Action: As with the response to Recommendation 4, NIJC will update its draft policies to include criteria for requiring consultant agreements, including requiring consultant time and efforts reports. The NIJC Board of Directors meets in December 2015 when it will vote to approve or disapprove the updated fiscal policies and procedures. If approved, NIJC can submit the updated fiscal policies and procedures to OJP.

Section: Drawdowns

7. **Recommendation that OJP remedy \$5,410 in grant expenditures that the NIJC incurred after the grant period ended for Grant Number 2011-VF-GX-K020.**

RESPONSE NIJC DISAGREES with this recommendation. Pursuant to Grant # 2011-VF-GX-K020, NIJC delivered an online curriculum to OVC. OVC submitted the curriculum for peer review but as shown in the attached email, the process was delayed due to internal issues within OVC. Our OVC program person submitted an extension for the specific purpose of coordinating an OVC Peer Review panel to review the online course and to provide NIJC with peer review comments. NIJC was to review, respond and incorporate into the online curriculum two sets of comments. The second set of comments were delivered to NIJC on 1/16/2015. The first OVC initiated extension was submitted to GMS on 11/18/2014 and extended the grant period to 12/31/2014. The second OVC initiated extension was submitted to GMS on 12/15/2014 which extended the grant period to 1/31/2015. The grant ended on 1/31/2015 and a final report for the grant was due on April 30, 2015. All grant funds were drawn by 09/30/2014. NIJC project staff continued to report their time working on the grant during the extension period even though the funds had all been drawn down. The amount in question is a recording of the staff time on NIJC's financial records to address the peer review comments and to update the curriculum. No funds in the amount of \$5,410 were drawn down after the grant period had ended.

Alternative Corrective Action: NIJC will work with OJP, NIJC's accountant and NIJC's auditor to correct the allocation of time with associated costs in NIJC's records.

Section: Federal Financial Reports

8. Recommendation that OJP ensure that the NIJC implements a process to submit FFRs that accurately reflect expenditures for each reporting period.

RESPONSE: NIJC AGREES with this recommendation. There is an internal error in our accountant's journal entries that we believe is part of the discrepancy in the reporting of expenditures, as noted in our Response to Recommendation 2(e). In addition, there is a misalignment caused by NIJC's process which is to record the date that the invoice payment is received, instead of by the date the invoice is entered into our accounting software. Further, there are discrepancies caused when NIJC receives late charges/bills. When NIJC receives late charges/bills, they are entered into NIJC financial records on the date they were received. Then the late charges/bills are invoiced to DOJ in the following month. NIJC suspects that we will always have some misalignment between the charges/bills for activities and the invoicing.

Corrective Action: NIJC will work with its accountant and auditor to adjust the journal entries, as noted in the Alternative Corrective Action for Recommendation 2(e). To better align with the FFRs, NIJC will also revise its procedure to record NIJC's invoice to DOJ by the date that we request payment rather than by the date the payment is received.

9. Recommendation that OJP ensure that the NIJC determine the amount of the tuition and registration fees collected for all training events that should be considered program income, submit a FFR that accurately reflects program income generated under Grant Number 2011-VF-GX-K020, and either uses program income for grant purposes or returns generated income to OJP.

RESPONSE: NIJC AGREES with this recommendation.

Pursuant to Grant Number 2011-VF-GX-K020, NIJC conducted two workshops at the For All My Relations Conference (FAMR) on the Tribal Law and Order Act (TLOA), recently codified into law and having a great impact upon the administration of tribal justice and the exercise of tribal jurisdiction over cases such as DUIs. Both workshops were convened on Friday, August 3, 2012 and conducted by two consultants, a Commissioner on the Indian Law and Order Commission and a drafter of the TLOA recommendations to Congress. One of the consultants was instrumental in developing the TLOA section of the DUI curricula materials. The purpose of the workshops was to present the TLOA section of the curricula and to administer the pre and post survey instruments. Each workshop was attended by 16 adult participants who self elected to attend the workshops. Grant 2011-VF-GX-K020 was charged for the expenses related to the consultants' travel (2 x \$135.60). No other FAMR conference expenses were charged to this grant. The total amount of federal funds used to facilitate these workshops was \$271.20.

There was a registration fee charged to each FAMR participant of \$360/adult and

\$180/child for the 2.5 day conference. This registration fee offsets the expenses of food and beverage, conference bags, workshop materials and conference dinner entertainment. The 2012 FAMR conference registration (income) totaled \$121,857.50. 2012 FAMR expenses totaled \$178,974.50. As per the OJP Financial Guide, the federal share (\$271.20) divided by the expenses to conduct the conference (\$178,974.50) results in a ratio of 0.15%

If we apply this percentage to the FAMR income before deducting the expenses, we get \$182.79 as the program income that should have been reported. After expenses we had a loss of \$57,117.00 for the 2012 FAMR conference. If allowed to deduct the expenses from the program income, the federal share ratio would be multiplied against \$0 income.

Pursuant to Grant 2011-VF-GX-K020, NIJC asked a consultant to work with a TLOA Pilot Test Tribal Court to develop a more detailed presentation on the Tribal Law and Order Act (TLOA) and its impact on the Indian Civil Rights Act for incorporation into the Prosecution of DUIs curriculum. Due to the timing of the completion of the materials, we had the opportunity to pilot the presentation and the pre and post survey instruments during the Tribal Court Probation training session, conducted December 5-7, 2012 in Las Vegas, NV where the consultant resides. The total expense charged to the grant was a \$900 consultant fee (1 day of preparation, 1 day of training at \$450/day).

The federal share of the expenses (\$900) divided by the total expense to conduct the training session (\$8,327.07) which results in a ratio of 10.8% (0.108). The total income for the Tribal Court Probation training session was \$15,805. The 10.8% ratio multiplied by the total income (\$15,805) results in program income of \$1,707.

Corrective Action: For the expense related to the 2012 FAMR Conference, NIJC can pay back the actual cost of the tickets rather than charge the grant. This would eliminate the calculation of the program income for this event. Or, NIJC can pay back the amount of \$182.79, which resulted from the application of the ratio to the program income before deducting expenses. Or, if expenses may be deducted, there may be \$0 program income to report.

For the expense related to the 2012 Tribal Court Probation training session, NIJC can repay the program income of \$1707.

Once our calculations are verified by OJP, we will revise the FFRs to reflect the program income.

Section: Program Performance and Accomplishments

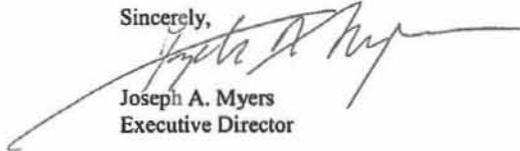
- 10. Recommendation that OJP ensure all deliverables are approved and implemented for use by grantees for Grant Number 2011-IP-BX-K001.**

RESPONSE: NIJC AGREES with the recommendation that all deliverables are approved and implemented for use by grantees for Grant Number 2011-IP-BX-K001.

CORRECTIVE ACTION: NIJC is working with its BJA program specialists to resolve the delays in obtaining BJA approval for the deliverables. NIJC has resubmitted all deliverables still pending approval. BJA program specialists are routing the documents through the approval process. We do not have a timeframe for the approvals process within BJA.

If you have any questions, please contact me or Raquelle at (707) 579-5507 or email us at nijc@aol.com.

Sincerely,



Joseph A. Myers
Executive Director

CC: OJP

Attachment(s): Documents Supporting Recommendations
Management Representation Letter

OFFICE OF JUSTICE PROGRAMS
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

SEP -2 2015

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grants Awarded to the National Indian Justice Center, Santa Rosa, California*

This memorandum is in reference to your correspondence, dated August 4, 2015, transmitting the above-referenced draft audit report for the National Indian Justice Center (NIJC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains 10 recommendations and \$715,545¹ in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- 1. We recommend that OJP ensure the NIJC completes, approves, and implements its written policies and procedures to ensure effective control over authorizations, vendor competition, or inventory management.**

OJP agrees with the recommendation. We will coordinate with NIJC to obtain a copy of written policies and procedures, developed and implemented, to ensure that effective controls over authorizations, vendor competition, and inventory management are established.

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

2. **We recommend that OJP remedy \$304,411 in unallowable costs related to the following issues:**
- a. **\$1,095 in grant reimbursements for unapproved federal employee travel expenditures from Grant Number 2011-VF-GX-K020.**
 - b. **\$690 in grant reimbursements for expenses inappropriately charged to Grant Number 2010-IC-BX-K051.**
 - c. **\$4,373 in grant reimbursements for unbudgeted expenses from Grant Number 2011-IP-BX-K001.**
 - d. **\$24,785 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$118,362 in grant reimbursements from Grant Number 2011-IP-BX-K001, and \$93,109 in grant reimbursements from Grant Number 2011-VF-GX-K020 that were paid for indirect costs without an approved indirect cost rate.**
 - e. **\$30,562 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$30,554 from Grant Number 2011-VF-GX-K020 expended prior to the removal of Special Condition Numbers 21 and 40, respectively.**
 - f. **\$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$40 from Grant Number 2011-VF-GX-K020 expended on consultant rates in excess of the allowable \$450 per day.**

OJP agrees with all parts of the recommendation. We will coordinate with NIJC to remedy the \$304,411 in questioned costs, related to the unallowable expenditures noted above, that were charged to cooperative agreement numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020.

3. **We recommend that OJP remedy \$369,418² in unsupported costs related to the following issues:**
- a. **\$216,460 in grant reimbursements from Grant Number 2011-IP-BX-K001 for payments to a consultant that were not within the requirements of the MOU or OJP Financial Guide.**
 - b. **\$18,900 in grant reimbursements from Grant Number 2010-IC-BX-K051 and \$74,508 from Grant Number 2011-VF-GX-K020 for payments to consultants without sufficient time and effort reports.**

² The difference is due to rounding.

- c. **\$9,865 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$43,084 from Grant Number 2011-IP-BX-K001, and \$3,385 from Grant Number 2011-VF-GX-K020 for payments to consultants without an agreement.**
- d. **\$1,633 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$1,584 from Grant Number 2011-VF-GX-K020 for training costs that lacked sufficient supporting documentation.**

OJP agrees with all parts of the recommendation. We will coordinate with NIJC to remedy the \$369,418 in questioned costs, related to the unsupported expenditures note above, that were charged to cooperative agreement numbers 2010-IC-BX-K051, 2011-IP-BX-K001, and 2011-VF-GX-K020.

- 4. **We recommend that OJP ensure the NIJC has policies and procedures in place to ensure expenses are properly approved before payment; consultant agreements are in place, and time and efforts reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and compliance with all grant special conditions.**

OJP agrees with the recommendation. We will coordinate with NIJC to obtain a copy of written policies and procedures, developed and implemented, to ensure that: Federal grant expenditures are properly approved before payment; consultant agreements are in place, and time and efforts reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and NIJC complies with all award special conditions.

- 5. **We recommend that OJP remedy the \$43,360 from Grant Number 2010-IC-BX-K051 and \$265 from Grant Number 2011-VF-GX-K020 in unallowable expenses related to cumulative transfers between budget categories exceeding the allowable 10-percent.**

OJP agrees with the recommendation. We will coordinate with NIJC to remedy the \$43,625 in questioned costs, related to cumulative transfers between budget categories exceeding the allowable 10-percent threshold, that were charged to cooperative agreement numbers 2010-IC-BX-K051 (\$43,360) and 2011-VF-GX-K020 (\$265).

- 6. **We recommend that OJP ensure the NIJC implements policies and procedures to ensure compliance with budget requirements.**

OJP agrees with the recommendation. We will coordinate with NIJC to obtain a copy of written policies and procedures, developed and implemented, to ensure compliance with budget requirements for Federal awards.

7. **We recommend that OJP remedy \$5,410 in expenditures that were incurred after the grant period ended for Grant Number 2011-VF-GX-K020.**

OJP agrees with the recommendation. We will coordinate with NIJC to remedy the \$5,410 in questioned costs, related to expenditures incurred after the project period end date, that were charged to cooperative agreement number 2011-VF-GX-K020.

8. **We recommend that OJP ensure that the NIJC implements a process to submit FFRs that accurately reflect expenditures for each reporting period.**

OJP agrees with the recommendation. We will coordinate with NIJC to obtain a copy of written policies and procedures, developed and implemented, to ensure that future Federal Financial Reports (FFRs) accurately reflect expenditures for each reporting period cumulatively; and the supporting documentation is maintained for future auditing purposes.

9. **We recommend that OJP ensure that the NIJC determines the amount of the total tuition and registration fees collected from the training events partially funded with grant funds that should be considered program income for Grant Number 2011-VF-GX-K020, and either uses the program income for grant purposes or returns generated income to OJP.**

OJP agrees with the recommendation. We will coordinate with NIJC to: obtain documentation to support the program income earned and expended, related to tuition and registration fees collected from the training events, which were partially funded with Federal grant funds; ensure the program income is properly reported on the revised final FFR for cooperative agreement number 2011-VF-GX-K020; and ensure that any unused program income is returned to OJP.

10. **We recommend that OJP ensure all deliverables are approved and implemented for use by grantees for cooperative agreement number 2011-IP-BX-K001.**

OJP agrees with the recommendation. We will coordinate with the NIJC to ensure that all planned deliverables for cooperative agreement number 2011-IP-BX-K001 have been achieved.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit Coordination Branch, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment and Management

cc: Denise O'Donnell
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Bureau of Justice Assistance

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OJP Executive Secretariat
Control Number IT20150811155542

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to the NIJC and the OJP. The NIJC's response is incorporated as Appendix 3 of this final report, and OJP's response is included as Appendix 4. For clarification, minor adjustments were made to the draft report. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

In its response, OJP agreed with all 10 of our recommendations and stated that it will coordinate with the NIJC to address our recommendations. The NIJC agreed with four of our recommendations, partially agreed with five, and disagreed with one.

Recommendation:

- 1. Ensure the NIJC completes, approves, and implements its written policies and procedures to ensure effective control over authorizations, vendor competition, or inventory management.**

Resolved. OJP agreed with the recommendation and stated it would coordinate with the NIJC to obtain a copy of written policies and procedures, developed and implemented.

The NIJC stated that it partially agreed with this recommendation. The NIJC is currently revising its fiscal policies and procedures, which are the procedures the auditors reviewed. The NIJC provided the current fiscal policies and procedures, which include dollar thresholds. The revised fiscal policies will include new thresholds and will be reviewed by the NIJC board for approval.

This recommendation can be closed when we receive documentation of the approved revised fiscal policies and procedures.

- 2. Remedy \$304,411 in unallowable costs related to the following issues:**

- a. \$1,095 in grant reimbursements for unapproved federal employee travel expenditures from Grant Number 2011-VF-GX-K020.
- b. \$690 in grant reimbursements for expenses inappropriately charged to Grant Number 2010-IC-BX-K051.
- c. \$4,373 in grant reimbursements for unbudgeted expenses from Grant Number 2011-IP-BX-K001.

- d. \$24,785 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$118,362 in grant reimbursements from Grant Number 2011-IP-BX-K001, and \$93,109 in grant reimbursements from Grant Number 2011-VF-GX-K020 that were paid for indirect costs without an approved indirect cost rate.
- e. \$30,562 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$30,554 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended prior to the removal of Special Condition Numbers 21 and 40, respectively.
- f. \$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$40 in grant reimbursements from Grant Number 2011-VF-GX-K020 expended on consultant rates in excess of the allowable \$450 per day.

Resolved. OJP agreed with all parts of the recommendation and stated it would coordinate with the NIJC to remedy the \$304,411 in questioned costs.

The NIJC responded to each of the six unallowable expenditure categories separately and had the following comments related to the specific recommendations.

For recommendations subpart a through subpart c, the NIJC agreed with our recommendation. The NIJC explained it will: for subpart a, determine if there is a viable justification for the federal employee travel for the \$1,095 in grant reimbursements from Grant Number 2011-VF-GX-K020 or it will repay the amount to the OVC; for subpart b, correct the financial records in the amount of \$690 which was mistakenly charged to Grant Number 2010-IC-BX-K051; and for subpart c, submit a GAN to revise the project budget to include a budget line item for accounting services for the \$4,373 in unbudgeted grant expenses from Grant Number 2011-IP-BX-001.

For subpart d, the NIJC did not agree with our recommendation and stated in its response that the NIJC's proposed budgets are for costs assignable to a particular project and are not indirect costs. Additionally, no special conditions requiring an indirect cost rate were applied to the NIJC awards. The NIJC did not provide any documentation indicating these costs were assignable to specific grants. The NIJC further provided an example demonstrating the use of an allocation method to assign costs to a grant. As such, these costs meet the definition of indirect cost per the OJP Financial Guide and 2 C.F.R Part 230 and require the establishment of an approved indirect cost rate. Therefore, these costs are still unallowable. The NIJC stated that it would develop and submit an indirect cost agreement to OJP, if necessary.

For subpart e, the NIJC did not agree with our recommendation and stated in its response that the NIJC's accountant included the salary and fringe entries starting with the original grant period in October rather than in December per the Special Conditions. The NIJC will work with the accountant to create corrected journal entries for both grants. However, from our transaction

testing, employees charged time to the grants during this period. As such, the NIJC incurred expenses during this timeframe regardless of when grant funds were drawn down. For Grant Number 2011-VF-GX-K020, the NIJC reiterated that the BJA had asked the NIJC to begin grant activities prior to the removal of Special Condition 21. The NIJC will submit a GAN to the BJA to address the expenditures incurred prior to the removal of Special Condition 21.

For subpart f, the NIJC did not agree with part of our recommendation and stated in its response that \$113 of the questionable amount of \$841 in grant reimbursements from Grant Number 2011-IP-BX-K001 was due to an overpayment of 2 hours by NIJC, totaling \$113. The NIJC responded it did not pay the consultant in excess of the allowable \$450 per day. The NIJC will revise the accounting records and refund 2 hours back Grant Number 2011-IP-BX-K001. The \$841 also included \$729 paid to the Project Technology Specialist and \$40 from Grant Number 2011-VF-GX-K020 at a rate that exceeded \$450 per day. The NIJC will submit a GAN to modify his rate based upon his skills and experience.

This recommendation can be closed when we receive documentation supporting that the \$304,411 in unallowable expenditures has been remedied. This includes the repayment of \$1,095 in federal employee travel, if necessary, and \$113 for overpayment of 2 hours to a consultant, corrected accounting records and repayment of \$690, and GANs adding accounting services, approving expenditures prior to the removal of Special Condition 21, and approving the payment of more than \$450 per day for one consultant.

3. Remedy \$369,418 in unsupported costs related to the following issues:¹⁰

- a. \$216,460 in grant reimbursements from Grant Number 2011-IP-BX-K001 for payments to a consultant that were not within the requirements of the MOU or OJP Financial Guide.
- b. \$18,900 in grant reimbursements from Grant Number 2010-IC-BX-K051 and \$74,508 from Grant Number 2011-VF-GX-K020 for payments to consultants without sufficient time and effort reports.
- c. \$9,865 in grant reimbursements from Grant Number 2010-IC-BX-K051, \$43,084 from Grant Number 2011-IP-BX-K001, and \$3,385 from Grant Number 2011-VF-GX-K020 for payments to consultants without an agreement.
- d. \$1,633 in grant reimbursements from Grant Number 2011-IP-BX-K001 and \$1,584 from Grant Number 2011-VF-GX-K020 for training costs that lacked sufficient supporting documentation.

¹⁰ The difference is due to rounding.

Resolved. OJP agreed with all parts of the recommendation and stated it would coordinate with the NIJC to remedy the \$369,418 in questioned costs.

The NIJC responded to each of the four unsupported expenditure categories separately and had the following comments related to the specific recommendations.

For recommendation subpart a, the NIJC did not agree that \$216,460 in grant reimbursements from Grant Number 2011-IP-BX-K001 for consultant payments were not unsupported. The NIJC did not provide a justification for payment to the consultant without documented hours worked. The NIJC further explained that NIJC will ask the contractor to provide time report to support their invoices in the future. Therefore, these costs are still unsupported.

For recommendation subpart b, the NIJC did not agree that \$18,900 paid from Grant Number 2010-IC-BX-K051 and \$74,508 paid from Grant Number 2011-VF-GX-K020 to consultants was without sufficient time and effort reports. NIJC stated in its response that it was able to witness the consultants' work. Agendas and work products were delivered and verified by NIJC project staff. Although, the NIJC stated work products were delivered, we were unable to verify the hours worked or specific activities for payment as the invoices lacked specific information. Therefore, these costs remained questioned as unsupported. The NIJC also stated that it will develop new protocol for consultants to report their hours and activities.

For recommendations subpart c and subpart d, the NIJC concurred with our recommendation. The NIJC explained, for subpart c, it will develop consultant agreements to document the consultant's role in a project. For subpart d, the NIJC explained it has searched for the missing receipts and bills with limited success. For the \$1,584 amount related to audio visual equipment rental, the NIJC stated it provided the hotel's menu of AV equipment rental and broke down the charges for the training room. However, this was done as handwritten notes. We were not provided an invoice of equipment rental. Therefore, these costs remain unsupported.

This recommendation can be closed when we receive documentation supporting that the \$369,418 in unsupported expenditures has been remedied. This includes the new protocol developed for consultants to report their hours and activities and consultant agreements related to unsupported costs.

- 4. Ensure the NIJC has policies and procedures in place to ensure expenses are properly approved before payment; consultant agreements are in place and time and effort reports are submitted to support payments; signature pages are maintained for each training event where per diem is distributed; an indirect cost rate is approved before incurring indirect costs; and compliance with all grant special conditions.**

Resolved. OJP agreed with the recommendation and stated it would coordinate with the NIJC to obtain a copy of written policies and procedures, developed and implemented.

The NIJC partially agreed with the recommendation. The NIJC stated it has fiscal policies in place that include procedures to ensure expenses are properly approved before payment. From our review, despite the current policies, expenses were paid without the proper approval. The NIJC also explained it will need to update its pending draft policies to include criteria consultant agreements and time and effort reports. As explained in its response to recommendation Number 2(d), the NIJC will submit an indirect cost agreement to OJP if necessary.

This recommendation can be closed when we receive a copy of the approved updated fiscal policies that address these issues.

- 5. Remedy the \$43,360 from Grant Number 2010-IC-BX-K051 and \$265 Grant Number 2011-VF-GX-K020 in unallowable expenses related to cumulative transfers between budget categories exceeding the allowable 10-percent.**

Resolved. OJP and the NIJC agreed with the recommendation. OJP stated it would coordinate with the NIJC to remedy the \$43,625 in questioned costs.

This recommendation can be closed when we receive evidence of the GANs submitted or repayment of funds.

- 6. Ensure the NIJC implements policies and procedures to ensure compliance with budget requirements.**

Resolved. OJP agreed with the recommendation and stated it would coordinate with the NIJC to obtain a copy of written policies and procedures, developed and implemented.

The NIJC partially agreed with the recommendation. The NIJC stated it has fiscal policies in place to ensure compliance with budget requirements. From our review, despite the current policies, we identified deficiencies with budget compliance. The NIJC also explained it will need to update its pending draft policies to include criteria consultant agreements and time and effort reports.

This recommendation can be closed when we receive documentation of the approved updated fiscal policies that address these issues.

- 7. Remedy \$5,410 in expenditures that were incurred after the grant period ended for Grant Number 2011-VF-GX-K020.**

Resolved. OJP agreed with the recommendation and stated it would coordinate with the NIJC to remedy the \$5,410 in questioned costs.

The NIJC did not agree with the recommendation. The NIJC explained that all grant funds were drawn down by September 30, 2014 and that project staff continued to report their time working on the grant during the extension period to January 31, 2015. The amount in question is a recording of staff time to address OVC Peer Review comments. Although grant funds may have been draw down, the OJP Financial Guide states that no new obligations can be made after the end of the grant period. The salary expenses qualify as new obligations which occurred after the end of the grant period. Therefore, these costs are still unallowable.

This recommendation can be closed when we receive documentation supporting that the \$5,410 in expenditures incurred after the grant period end has been remedied.

8. Ensure that the NIJC implements a process to submit FFRs that accurately reflect expenditures for each reporting period.

Resolved. OJP and the NIJC agreed with the recommendation. OJP stated it would coordinate with the NIJC to obtain a copy of written policies and procedures, developed and implemented.

This recommendation can be closed when we receive revised policies and procedures for submitting FFRs.

9. Ensure that the NIJC determines the amount of the total tuition and registration fees collected from the training events partially funded with grant funds that should be considered program income for Grant Number 2011-VF-GX-K020 and either uses the program income for grant purposes or returns generated income to OJP.

Resolved. OJP and the NIJC agreed with the recommendation and stated it would coordinate with the NIJC to support program income earned and expended.

This recommendation can be closed when we receive revised FFRs and repayment of the program income, if necessary.

- 10. Ensure all deliverables are approved and implemented for use by grantees for Grant Number 2011-IP-BX-K001 and work with the NIJC to resolve the Special Condition removal to allow the NIJC to achieve its goals and objectives under the grant.**

Resolved. OJP and the NIJC agreed with the recommendation. OJP stated it would coordinate with the NIJC to ensure all planned deliverables have been achieved.

This recommendation can be closed when we receive evidence that the deliverables have been achieved.

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